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UNITED STATES DEPARTMENT OF AGRICULTURE
Soil Conservation Service

Grazing Fees - Sliding Scale System

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The Soil Conservation Service has, for a number of years, considered charging for the grazing use of its lands on a sliding scale system. Under such a system, its charges would move upward and downward from a base fee in a direct relationship to increases and decreases in the sale price of beef cattle during the preceding year. Fees would be low when livestock prices are low and users are unable to pay much for their summer grass, and higher when their income is above normal.

Methods of collecting information needed to establish a base fee or average were discussed with representative users in the spring of 1947. It was agreed the base fee should be approximately the same as the lease rate of comparable lands, within and outside land utilization projects, where the lease rate is established competitively during the years 1934 to 1947 inclusive. A few cost of ownership studies would also be developed for comparative purposes.

Some matters which should be given consideration in the determination of a fair fee are as follows:

1. Will the fee be fair to the user of the land?
2. Will the fee be fair to other ranchers who are not users of Soil Conservation lands?
3. Will the fee permit a payment by the United States to the counties which will be fair to the local taxpayers?
4. Will the fee be fair to the government which represents all taxpayers?

A tabulation of the land utilization projects in Region V of the Soil Conservation Service, where studies were completed, follows, showing a summary of the lease cost data obtained from the study in cents per acre and animal unit month:

	<u>Project</u>	<u>Lease Cost per Acre</u>	<u>Lease Cost per AUM*</u>
<u>Montana</u>	MT-IU-2	.076	.32
	MT-IU-3 & 22	.075	.33
	MT-IU-4 & 21	.066	.27
	MT-IU-23	.071	.26
<u>Nebraska</u>	NB-IU-1	.21	.50
<u>North Dakota</u>	ND-IU-1	.11	.25
	ND-IU-2 & 21	.096	.28
<u>South Dakota</u>	SD-IU-1	.083	.26
	SD-IU-2	.12	.20
	SD-IU-21	.074	.31
<u>Wyoming</u>	WY-IU-21	.095	.27
<u>Regional Ave.</u>		.087	.29

*An animal unit month is the amount of grazing necessary to provide grass for a cow for a period of one month.

DEC 30 1947.

The above tabulation covers 545 leases and includes 823,559 acres of land. This appears to be a satisfactory sample.

A tabulation showing cost of ownership of summer grazing land on an animal unit month basis for the same project areas follows:

<u>Project</u>	<u>Range in Cost</u>	<u>Average Cost</u>
MT-LU-2	27¢ to 99¢	61¢
MT-LU-3	34¢ to \$1.14	65¢
MT-LU-4 & 21	33¢ to 70¢	50¢
MT-LU-23	28¢ to \$1.13	74¢
ND-LU-24	28¢ to 67¢	47¢
SD-LU-1	35¢ to 64¢	52¢
NB-LU-1	63¢ to \$1.09	92¢
WY-LU-21	42¢ to 88¢	61¢

Regional average cost of ownership of an animal unit month of summer grazing would be 57¢.

Five cost studies were made per project taken at random. The basis of figuring cost was taxes plus 4 per cent interest on the rancher's statement of the price he paid for the summer grazing lands studied.

To compensate for variations between areas and other factors which seem to justify a somewhat lower rate for Soil Conservation Service lands than private leases, the fee was reduced .04 cents per animal unit month below the 29 cent regional average to form a base fee of 25 cents.

The Soil Conservation Service has always charged a somewhat higher rate on the Nebraska project and in certain other areas in this region than in the areas listed above. We believe a higher rate of charge was justified because the going rate for comparable lands in and around the Nebraska area has always been higher than in the other land utilization projects listed. However, it was impossible to locate sufficient leases on comparable lands in Nebraska to establish an acceptable base fee from the studies secured. We feel confident the 50 cent per AUM rate listed above is too high. The base fee was, therefore, adjusted to 30 cents per AUM.

The average price of beef cattle during the base period 1933-1946 for the 15 western states with land utilization projects was \$8.02 per hundred.

The average price received for beef cattle in these same states during 1947 will be approximately \$18.42 per hundred or 228% of the base price. The 1948 grazing fee should, therefore, be 228% of the 30 cent base fee or 68 cents per animal unit month. It has been agreed a reduction of 4 cents per animal unit month in the charges to the district should be made from the annual fee to cover administrative expenses of the district leaving 64 cents the full sliding scale fee.

If charges had been made for the use of Soil Conserve Service lands on a sliding scale as outlined above for each year of the study, the fee to the district, based on the sale price of cattle the preceding year, would have been as follows:

<u>Year</u>	<u>Beef Price for Previous Year</u>	<u>Percent of \$8.02 base</u>	<u>Grazing Fee to District Cents per AUM</u>
1934	3.44	.43	.09
1935	3.67	.46	.10
1936	5.91	.72	.18
1937	5.52	.69	.17
1938	6.70	.84	.21
1939	6.17	.77	.19
1940	6.84	.85	.21
1941	7.36	.91	.23
1942	8.58	107	.28
1943	10.37	129	.35
1944	11.42	142	.39
1945	10.59	132	.37
1946	11.81	147	.40
1947	14.15	176	.49
1948	18.42	228	.64

Because livestock prices are probably near the peak and stockmen should have an opportunity to make an adjustment from the 1947 fee to the full fee, it has been agreed to spread the increase over a three year period. This will also give stockmen time to consider the base fee and sliding scale system and present any additional information they feel should be considered before a final base fee has been set. The fee to be charged districts in 1948 for Soil Conservation Service lands is 41 cents per animal unit month. The district will charge its permittees a somewhat higher fee to cover its administrative and other management expenses.

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